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Senate

Statement of Senator Dianne Feinstein

"Support the Biden Amendment: To Provide Funds for Iraq's Security and Stabilization by Suspending a Portion of the Reductions in the Highest Income Tax Rate"

Mrs. FEINSTEIN. Mr. President, I thank the Senator from Delaware. I appreciate those words. Both Senator Chafee and I felt very strongly that this rate rollback that affects the top 1 percent is really the right thing to do at this time.

I particularly compliment the Senator from Delaware on the way he worked out this bill, because essentially this is a rollback of the accelerated rate cut that the top 1 percent received in May 2003. It rolls back the acceleration just enough to pay the \$87 billion cost of this supplemental. So it becomes a very reasonable way to pay for a part of this war which, to date, including this supplemental, will cost the American people more than \$150 billion.

This is a big day in the Senate. As many of us have pointed out this week at the Appropriations Committee hearing on the supplemental, there are questions in the \$21 billion reconstruction portion of the supplemental request. Senator Byrd has twice tried to divide the package -- once in the Appropriations Committee, once here on the floor. We have not been successful in being able to do that.

At the same time, we also recognize the seriousness of the need that the Iraqi people and their transportation

and water infrastructure face after decades of neglect. We certainly recognize the needs that our men and women have in Iraq.

The fact is, we don't have the money to pay for improvements in our own infrastructure. Owing to a lack of money, just a few hours ago I decided against offering an amendment to this supplemental that would have invested substantial moneys in our domestic infrastructure, a plan that would have enhanced the safety, security, and efficiency of our highway, transit, aviation, rail, port, environmental, and public buildings infrastructure.

The reality is that there is no money to fund necessary improvements here at home. The reality is, those of us on this side of the aisle have become deficit hawks, whereas a few years ago it was the other side of the aisle. So today we have greatly enhanced spending for preparedness, for homeland security, and for the military.

How is it we can be expected to approve this supplemental without asking the most obvious question: How are we going to pay for it?

I have joined with Senators Biden, Kerry, Corzine, and others in supporting this legislation because

it will provide the necessary financial footing to appropriately execute our obligations in Iraq and Afghanistan as contained in this supplemental. In 1998, following nearly 30 years of deficits and a seventeenfold increase in the Federal debt, from \$365.8 billion to \$6.4 trillion, bipartisan cooperation brought the budget back into balance again. In 1998, we had the first surplus in a long time. Some of the funds which would have gone to pay interest on the debt were instead spent actually paying down the debt, and we were all delighted.

Now deficits and interest costs are growing once again. Net interest payments on Federal debt will increase sharply, from approximately \$170 billion in 2003 to more than \$300 billion by 2012. And we face a host of new challenges: the war on terror, the war in Iraq, the threat of North Korea. This has necessarily led to a shift in Government spending toward improving our defense and homeland security capabilities. Yet many of the challenges predating September 11 are still with us: improving education, updating infrastructure, preparing for the retirement of the baby boom generation, which will all severely strain the Social Security and Medicare trust funds.

The CBO predicts that the Federal deficit for fiscal year 2004 will top \$500 billion.

We might dispute the actual amount, but let there be no doubt, it is going to happen. We are going to have the largest deficit in our history this year. A portion of every dollar we spend, from this day forward until the end of September 2004, will be borrowed money -- money our children and grandchildren will have to repay.

It is no secret that if citizens wish to receive services or undertake activities as a Nation, they have the right to levy a tax upon themselves to achieve these ends. We have somehow lost this sense of obligation and we have concluded that providing for our national defense, or for the education of our children, requires no more than charging the costs to a Government credit card. This must stop. In fact, as this supplemental request is currently structured, our children and our grandchildren will pay \$3.60 for every dollar we borrow. This supplemental is not a request for \$87 billion. It actually totals \$313 billion if you include the interest -- \$313 billion. It is penny wise and pound foolish to do this the way we are doing it, by not paying for it.

The President of the United States, in January of this year at his State of the Union, said the following words, and we from both sides of the aisle rose in acclaim to these words:

"This country has many challenges. We will not deny, we will not ignore, we will not pass along our problems to other Congresses, to other Presidents, and to other generations. We will confront them with focus and clarity and courage."

Well, this is one challenge we are passing on to other Congresses and

to other generations. We need not do it. This is a well thought out proposal to temporarily rollback a small portion of the accelerated tax cut for the top 1 percent -- the wealthiest of all Americans.

As has been well stated, everyone who falls within this 1 percent makes more than \$310,000 a year in taxable income, which typically means that they are making more than \$420,000 a year in gross income.

We have more income taxpayers in California than any other State. Thirteen million out of 34 million people are income taxpayers. In California, this amendment will affect less than 250,000 families paying these taxes. These families are all in the top 1 percent BB they are the wealthiest Californians. Not one of them, at any time, has ever come up to me and said: Senator, we want a tax cut. But I have had several come up to me and say: I didn't realize how much money I would receive from the 2001 tax cut. And they have added that it was not really necessary to do it.

We now have an opportunity, by scaling back a small portion of the accelerated cut associated with the May 2003 tax package, to pay for this \$87 billion supplemental. It makes good sense. Think of what it saves for the future in terms of interest costs.

So what we are proposing generates \$87 billion. It is a first step toward putting our fiscal house in order. It pays for the President's supplemental spending request. It doesn't revoke the 2001 reduction in the top income tax rate, nor would it affect any other element of the 2001 tax package. It would merely temporarily raise the marginal income tax rate of the richest in our society. These people could take pride in knowing that

this supplemental would not create debt that would be passed on to their grandchildren, to your grandchildren, or to my grandchildren.

I thank the Chair and yield the floor.